

Chapter 7

Administrative Control of Appropriations and Financing of Requirements

Section I

Administrative Control of Appropriations

7-1. General

This chapter describes the U.S. Army's system of administrative control of funds. This chapter also includes the accountant's responsibility, in the planning, programming, budgeting, and execution system (PPBES) process, as well as the policy and procedures for identifying and handling any anti-deficiency violations. When the term accountant is used, it is to be used generically as either a management accountant or a finance and accounting office (FAO)/defense accounting office (DAO) accountant.

7-2. Professional requirements

To ensure proper administrative control of funds, accountants must know --

- a. Statutory and regulatory requirements pertaining to the administrative control of funds. These requirements are generally found in the remainder of this chapter, however the accountants should use their own initiative to identify other requirements specific to an appropriation.
- b. The level at which anti-deficiency funding controls are established for each appropriation.
- c. How U.S. Army funds are distributed using the program budget accounting system (PBAS).

7-3. Responsibilities

- a. The Assistant Secretary of the Army for Financial Management and Comptroller (ASA(FM&C)) is responsible for determining whether an alleged violation of the antideficiency statutes is reportable to the Office of the Secretary of Defense (OSD) under the provisions of Department of Defense Directive 7200.1, (Administrative Control of Appropriations). (See Appendix B). The ASA(FM&C) is also responsible for processing alleged violations for the Department of the Army (DA) under the provisions of AR 10-5 (Organization and Functions - Department of Army).
- b. The Army General Counsel (AGC) will review and coordinate on all reports of alleged violations.
- c. The Office of ASA(FM&C) may request appropriation fund managers/sponsors and Headquarters Department of the Army (HQDA) agency heads to review cases within their functional areas to assist the ASA(FM&C) in technical and legal reviews.
- d. When directed by the Secretary of the Army (SA) or the Chief of Staff of the Army (CSA), or requested by the ASA(FM&C), The Inspector General (IG) will investigate alleged violations that involve an

element(s) of the ASA(FM&C). If elements of the ASA(FM&C) are involved, the Under Secretary of the Army, with the advice and counsel of the AGC, will determine whether a reportable violation has occurred.

- e. When an apparent violation is discovered, the commander of the organization or agency involved will follow the processing and reporting requirements provided in Chapter 29.

f. The accountant --

- (1) Must be aware of the Program and Budget Guidance (PBG) document details that support the objectives of the installation management system.
- (2) Will review the installation's accounting structure to determine if the structure provides the needed reporting visibility that management requires.
- (3) Will review the installation's current accounting policies and procedures. This is to determine if the accounting system can provide the information needed by the activity directors to manage their programs.
- (4) Will use accounting principles, procedures, and reports to evaluate any assumptions or interpretations made by the activity directors.
- (5) Will regularly attend the working program and budget advisory committee (WPBAC) or budget execution committee meetings. Also, the accountant will act as an advisor to the committee chair-man to interpret conditions affecting accounting reports and discuss any changes in accounting policies that may affect budget projections.
- (6) Will provide recurring financial reports to installation activities for monitoring and controlling their utilization of resources.
- (7) Will ensure that changes in funding are recorded promptly and accurately. Continuous monitoring and analysis will identify problems that need management attention. This analysis may detect -
 - (a) Funding deficiencies:
 1. Budget authority shortages.
 2. Annual funding program inadequacies.
 3. Cash shortages.
 - (b) Operational deficiencies:
 1. Internal control weaknesses.
 2. Untimely processing of funding documents.
 3. Inaccurate processing of funding documents.
 4. Document flow problems.
- (8) Will ensure that activity directors and budget analysts know how their actions affect financial data to ask for their support in resolving problem areas including:
 - (a) Obligations in excess of available funds/targets.
 - (b) Obligations in excess of annual funding programs.
 - (c) Potential funding shortages in a given area.
 - (d) Significant upward and downward adjustments to obligations after account expiration.
 - (e) Reimbursable orders executed in excess of funded reimbursement authority (FRA).

(f) Reimbursable orders executed without authority on the funding document.

(9) Will assure the accuracy of fund control records through evaluation of reported data.

(10) Will perform continuous oversight responsibilities to help keep public trust and confidence.

7-4. Requirements

a. Fund Control.

(1) Distribution of funds, 31 U.S.C. 1514, Administrative Division of Apportionments, requires agencies to prescribe by regulation a system of administrative control not inconsistent with accounting procedures prescribed by law. The U.S. Army's system to control funds, according to this statute and this regulation, is the Program Budget Accounting System (PBAS). U.S. Army fund authorization documents (FADs) and fund allowance system (FAS) documents are issued by PBAS.

(2) Use commitment ledgers to verify fund availability (positive knowledge) before creating an obligation. Promptly record valid obligations incurred.

b. Fund Accounting.

(1) Establish the following two fund types as required by operations and per those funds established by the U.S. Treasury:

(a) Funds derived from general appropriations and from business operations including --

1. General Funds.
2. Special Fund accounts.
3. Revolving Funds.
4. Management Funds.

(b) Funds held by the Federal Government in the capacity of custodian or trustee including:

1. Trust Funds.
2. Deposit Funds.

(2) For each reporting entity, establish, applicable standard general ledger accounts in accordance with Chapter 4.

7-5. Antideficiency violations

a. The Antideficiency Act prohibits any officer or employee of the U.S. from making or authorizing commitments, obligations, or disbursements from any appropriation or fund in excess of the amount available, except as authorized by law. An anti-deficiency violation occurs when --

(1) A subdivision of funds is--

(a) Over-obligated {31 U.S.C., Sections 1517 and 1514(a)(1)}.

(b) Over-disbursed {31 U.S.C., Sections 1517 and 1514(a)(1)}.

(c) Obligated in advance of appropriations {31 U.S.C. 1341 (a)(1)(B)}.

(2) A revolving, management, or working capital fund has an appropriation level deficit cash balance with the U.S. Treasury {31 U.S.C. 1341(a)(1) (A)}.

(3) A statutory limitation is exceeded by more than the stated reprogramming authority {31 U.S.C. 1517(a)(2)} -

(a) At budget line level for unexpired U.S. Army Procurement Appropriations.

(b) At program element level for unexpired RDTE appropriation.

(c) At budget activity/project level for unexpired Military Construction and Family Housing Construction appropriations.

(4) Voluntary services are accepted, except as authorized by statute (31 U.S.C. 1342).

(5) The following conditions occur concerning closed appropriations:

(a) New obligations and expenditures or adjustments to obligations and expenditures are made or authorized to/from an account in excess of the amount available in the original appropriation or fund account (that is, in excess of the unexpended balance available when the account closed).

(b) New obligations or any expenditures are made or authorized in an account closed pursuant to 31 U.S.C., Sections 1552, 1555, or 1557.

(c) New obligations and expenditures or adjustments to obligations and expenditures are made or authorized to/from any appropriation or fund account in excess of the amount apportioned or allotted to the original appropriation or fund account.

b. Formal distributions are made as allocations, suballocations, allotments, and specific limitations on fund allowance system (FAS) documents/ funding authorization documents (FADs). Anti-deficiency violations occur when formal subdivisions of funds or other specific statutory limitations (minor construction limits, investment/ expense thresholds, and so forth) are breached. The U.S. Army will investigate and report statutory violations to the President of the United States, U.S. Congress, Office of Management and Budget (OMB), and OSD.

c. Informal distributions of funds are made as allowances or targets on the FAS document and installation level documents. Incurring a commitment, obligation, or disbursement in excess of an allowance does not in itself create an anti-deficiency violation. However, if exceeding an allowance/ target causes the governing formal fund subdivision or limitation to be breached, an antideficiency violation will occur. The official who exceeded the allowance/target may be held responsible for the violation.

d. Violations caused by over-obligation or over-disbursement can occur in appropriations exempt from apportionment (for example, expired accounts) only at appropriation level. However, limitations specifically imposed by other laws (for example, the limit on Operations and Maintenance, Army (OMA) funded minor construction) remain subject to antideficiency controls. Also, Foreign Military Sales (FMS) trust fund authority execution is subject to violation reporting.

e. If a foreign currency fluctuation disbursement, charged to authorized direct funds of a designated appropriation, exceeds a statutory limitation solely because of fluctuations in a designated foreign currency, but remains within the appropriation limits, the statutory limit is increased as necessary to reflect the increase in the currency's exchange rate from the budget rate used at the time of the original obligation. As long as the obligated amount at the budget rate does not exceed a statutory limitation, there is no violation.

f. No payment may be made that would cause cumulative outlays to exceed the unexpended balance of the original (closed) appropriation.

g. An account's appropriation is the base for determining the 1 percent limitation amount (paragraph 7-6a.(5)(c)). Use of other budgetary resources is prohibited.

(1) No more than 1 percent of an unexpired account's appropriation (HQDA level) or the unobligated balance of the original appropriation, whichever is less, can be used to make payments for obligated balances canceled. For multi-year accounts, the unused, unexpired portion of the 1 percent limitation is available for use.

(2) Don't use unexpired funds issued as an allowance/allocation/allotment subject to the one (1) percent limitation for purposes other than making valid payments for obligated balances canceled.

(3) Using other unexpired funds to make payments for canceled obligated balances is prohibited. If done, it requires adjusting obligations and payments to the proper funds; that is, those subject to the 1 percent limitation. This may result in an Anti-deficiency Act violation (31 U.S.C. Title 31, 1517).

h. An over-obligation or over-disbursement is not avoided by --

(1) Failing to post to accounting records.

(2) A delay in posting until funds are received.

(3) Posting or charging an improper subdivision of funds.

i. To determine whether a violation occurred--

(1) Post unrecorded transactions that should have been posted in a prior accounting period when they become known and evaluate them as if they had been posted in that prior period.

(2) Evaluate upward and downward adjustments as if they had been posted in the accounting period when they were incurred.

j. An excessive or invalid reduction of funds is not itself a violation if additional obligations are neither authorized nor incurred, and the withdrawn funds are restored. If a violation occurs due to withdrawal of funds in excess of available balances, the person who authorized or directed the withdrawal is responsible.

k. A bookkeeping error is not by itself a violation, but may lead to one. For example, an obligation recorded as \$10 which should have been recorded as \$100 is not a violation. This type of bookkeeping

error makes it appear that more funds are available than there are. Later, an obligation may be incurred which, when the bookkeeping error is corrected, results in an over-obligation. This is a violation.

l. Over-obligation of funds caused by inaccurate estimates or failure to reserve enough funds for contingent liabilities is a violation.

m. If a violation occurs, the receipt of more funds or a change in a limitation before the end of the accounting period does not relieve the violation or eliminate the reporting requirements.

n. Most correspondence pertaining to reports of alleged violations is exempt from mandatory release under the Freedom of Information Act. If the correspondence is exempt, mark it "**FOR OFFICIAL USE ONLY**", according to AR 25-55 (The Department of the Army Freedom of Information Act Program).

7-6. Processing requirements

a. Except as noted in paragraph 7-7e below, upon learning of or detecting a possible violation, the individual concerned will inform the Director of Resource Management (DRM) or person holding the equivalent position. The DRM will immediately notify the commander responsible for the allowance/allotment involved in the alleged violation. The commander --

(1) Sends a "flash report" by priority message to "DA WASHINGTON DC//SAFM-FO//. Report according to Chapter 29.

(2) Within 30 days --

(a) Appoints an investigating office whose primary responsibility is to conduct the investigation or board of officers decides to personally conduct the investigation (in accordance with AR 15-6, Procedures for Investigating Officers and Board of Officers).

(b) Appoints both a representative from the financial management community and a lawyer to assist the investigating officer. These individuals may be either military officers or civilians. The selected individual from the financial management community should possess the necessary training or skills to resolve fiscal and accounting issues. A military officer should be a financial officer (Specialty 44) or hold the functional area, Comptroller (45). A civilian should be fully qualified, as for example, an accountant (510) or an auditor (511).

(c) Notifies the office of OASA(FM&C) of the names of the investigating officer, the individual from the financial management community, and the lawyer assigned to assist the investigating officer.

(3) Ensures the investigation is conducted quickly. Sends an original and two copies of the final report of alleged violation by letter, signed by the commander responsible for the funds involved, through command channels to: Office of the Assistant Secretary of the Army (Financial Management and Comptroller), ATTN: SAFM-FO, 109 Army Pentagon, Washington

DC 20310-0109, within 120 days of discovery. Report according to Chapter 29. If it is not possible to complete the investigation and submit a report within 120 days, the commander will submit an interim report to the same/above address. Update this interim report every three (3) months until the final report is sub-mitted. Report according to Chapter 29.

(4) After receiving formal written notice of an alleged violation from a reviewing or examining authority, such as the U.S. Army Audit Agency (AAA), the General Accounting Office (GAO), or an Inspector General (IG), reports to the ASA(FM&C) as described in (1) through (3) above. However, if the commander concerned does not agree that a violation occurred, an investigation is not required unless the audit resolution process upholds the findings of the reviewing authority. A Flash Report is still required with all of the required information prescribed in Chapter 29, except for the data pertaining to the investigating officer. Submit notification of the name of the investigating officer to the address in subparagraph (3) above, when it is determined an investigation is required.

(5) Follows AR 27-10 (Military Justice), if applicable, which implements a memorandum of understanding (MOU) between the Department of Defense (DoD) and the Department of Justice. AR 27-10 outlines areas of responsibility for investigation and prosecution of offenses where the two departments have concurrent jurisdiction.

(6) Submits a Serious Incident Report (see AR 190-40 (Serious Incident Report), if appropriate.

b. Intermediate commanders will--

(1) Review the report of alleged violation for compliance with this regulation.

(2) Return the report for corrective action if-

(a) The report is incomplete.

(b) Corrective action is inadequate, or

(c) The reported evidence does not support the findings and recommendations.

(3) Ensure that the information required by Chapter 29 is complete.

(4) State in their forwarding endorsements whether they concur with the findings and recommendations in the report.

c. The ASA(FM&C) will-

(1) Upon receipt of a flash report-

(a) Record the alleged violation.

(b) Assign a control number by fiscal year (FY) and notifies the submitter.

(2) Upon receipt of a report of alleged violation (except for those cases identified in subparagraph e below)--

(a) Review it for completeness according to Chapter 29.

(b) Require additional information from the reporting activity, as needed.

(3) Refer to the ASA(FM&C) cases that are reportable to DoD under DoD Directive 7200.1. (See Appendix B.)

(4) Notify the reporting activity of the final disposition of the case.

(5) Submit interim reports of all possible violations for which final reports have not been submitted to the ASA(FM&C) as required.

d. The ASA(FM&C) will decide whether the allegation is a violation reportable to DoD under DoD Directive 7200.1 and forwards applicable reports.

e. IG will--

(1) Investigate alleged violations that implicate members of ASA(FM&C) when requested by the ASA(FM&C) or directed by the Secretary of the Army (SA) or CSA.

(2) If the investigation indicates a probable violation, advise SA and provide a report of investigation to the ASA(FM&C) for preparation of the report of violation. The ASA(FM&C) coordinates the completed report of violation with AGC and forwards it to the Under Secretary of the Army, who determines whether a violation occurred that must be reported to Defense Finance and Accounting Service (DFAS).

f. The AGC will--

(1) Coordinate all reports of violation to be sent to OSD(C).

(2) Prepare a legal review of all aspects of alleged violations occurring in HQDA before presenting the report to the person named responsible and sending it to the ASA(FM&C).

g. Appropriation sponsors/managers and heads of U.S. Army staff agencies will -

(1) Review cases within their functional areas, as necessary, to help the ASA(FM&C) complete technical and legal reviews.

(2) Determine whether the appropriation involved is in a deficit position.

(3) Begin action to fund any deficit.

(4) Determine and implement necessary corrective actions.

7-7. Penalty for violation of antideficiency statutes

Antideficiency statutes state that any officer or employee of the United States who is in violation of antideficiency statutes is subject to appropriate administrative discipline, including suspension from duty without pay or removal (31 U.S.C., Sections 1349 and 1518). Those convicted of a knowing and willful violation may be fined not more than \$5,000 or imprisoned for not more than two years, or both (31 U.S.C., Sections 1350 and 1519). OSD requires disciplinary action in antideficiency violation cases because antideficiency violations are serious and affect the U.S. Army's credibility. Accordingly, disciplinary action must be taken seriously and imposed based on the facts and circumstances surrounding a violation. Disciplinary action does not

depend on the final decision as to whether a violation occurred. The fact that a violation was not willful means only that it did not constitute a crime, not that it does not warrant disciplinary action. Circumstances such as "a heavy workload at year-end" or an employee's "past exemplary record" generally are relevant only in determining the appropriate level of disciplinary action, not in determining whether disciplinary action should be taken.

Section II Financing of Requirements

7-8. General

Using funds for purposes other than those for which they were appropriated is a violation of 31 U.S.C. 1301(a). This is not an anti-deficiency violation, but could result in one if the required corrections cause an over-obligation or an over-expenditure in the proper account. A misapplication of funds will not cause an antideficiency violation if--

- a. Proper funds were available when the misapplication occurred.
- b. Proper funds were available when the misapplication was discovered and the appropriate corrections were made.

7-9. Professional requirements

To ensure proper administrative control of funds, accountants must be familiar with the following:

- a. How allowances/allotments for each appropriation are issued and controlled.
- b. Centrally managed allotments (CMAs).
- c. Financing of working capital/revolving funds.

7-10. Responsibilities

General Operating Agency (GOA) responsibilities for CMAs are to--

- a. Establish procedures for administering and controlling CMAs.
- b. Ensure internal controls are maintained.
- c. Develop projections of funding requirements based on current obligation estimates.
- d. Ensure that CMAs remain solvent, which includes --

(1) Requesting or obtaining additional funding to meet projected needs.

(2) Taking action, if necessary, to cease all execution (commitments, obligations, and disbursements) in the CMA. This may include directing field activities to absorb obligations with their own operating funds, notifying disbursement offices to stop payments, or other actions.

7-11. Methods of financing requirements

- a. GOAs.

(1) *Specific allowance or allotment* The specific allowance/allotment is direct obligation authority

issued to an installation or activity to accomplish mission objectives and provide base operation services. The GOA's allowance/allotment is the source of funds for distributing direct allowances/allotments to installations/activities. Direct allowances/allotments are provided in specific dollar amounts for a specified time period; are available for obligation coincidental with the effective date of the FAS document/ FAD; and are subject to restrictions identified on the FAS document/FAD. (See Chapter 6.)

(2) *Centrally Managed Allotments (CMAs)* CMAs are established to finance activities for which centralized controls are more practical. Special open allotments and restricted open allotments are types of funding that are included under the CMA definition (see DA Pam 37-100-FY for accounting classification identification). Examples of CMAs include military pay and allowances; evacuation of civilian employees; and, foreign currency fluctuation. DFAS-IN (DFAS-IN/AM) must approve all CMAs each fiscal year (FY). Submit requests for establishment or continuation of CMAs on the RCS CSCOA-126 report, in accordance with Chapter 30.

b. *Installation/activity level.*

(1) Use of allowances/allotments. (See Chapter 6.)

(2) Orders.

(a) Ordering activities will use DD Form 448 (Military Inter-departmental Purchase Request (MIPR)) to place orders with U.S. Army activities and other DoD components. It can be used for direct citation of funds, Project Orders, or Economy Act orders. (See Chapter 12 for procedural policy and preparation instructions for the MIPR.)

(b) Direct citation of funds authorizes a supporting installation to cite a requesting installation's funds on a document or contract. (See Chapter 12 for procedural policy and preparation instructions.)

(c) Issue requests to activities outside DoD by letter. See Chapter 12 for special requirements that must be met before certifying fund availability for acquisitions from non-DoD agencies under the Economy Act.

(3) Military Standard Requisitioning and Issue Procedures (MILSTRIP) requisition {see AR 725-50 (Requisition, Receipt, and Issue System)}.

c. *Foreign currency CMAs* Payments in selected foreign currencies for U.S. Army obligations may result in gains or losses because of fluctuations in the value of the U.S. Dollar in relation to foreign currencies. Use foreign currency fluctuation accounts to offset the effect of these fluctuations. Use foreign currency fluctuation CMAs to charge losses or credit gains between amounts obligated at a specified budget rate and the amount disbursed at the actual rate of exchange, on any given day, for a foreign currency. This procedure stabilizes the execution in the funding appropriation. The Deputy Assistant Secretary of the Army for Financial Operations (DASA(FO)) {Operating Agency (OA) 22} manages

the foreign currency fluctuation CMA for the Operation and Maintenance (O&M) appropriation until the account closes. The Corps of Engineers (OA 08) manages the foreign currency fluctuation CMA for the Military Construction (MILCON), the North Atlantic Treaty Organization (NATO) Infrastructure, and the U.S. Army Family Housing-OMA appropriations. For the O&M foreign currency account, use a model to project funding requirements to ensure that the account remains solvent. (See DA Pam 37-100-FY for appropriations and currencies authorized.)

d. Working capital/revolving funds Revolving funds are generally designed to be free of the appropriation cycle giving management the financial authority and flexibility to adjust operations. Funding to support the revolving fund is not tied to a particular fiscal year. The funds operate under a buyer/seller or provider/customer relationship concept. That is, the revolving funds sell products or services at a fixed or standard price to the customer. There are several revolving funds in use within the U.S. Army. (For example; Defense Business Operations Fund (DBOF) Depot Maintenance Areas (DMA), DBOF Supply Management, Army (SMA), and Working Capital Fund, Army Conventional Ammunition.)

e. Additional financing requirements.

(1) Finance the following with appropriated funds:

- (a) Maintenance and repair of real and personal property costing over the amount specified in AR 420-10 (Management of Installation Directorates of Engineering and Housing).
- (b) Items meeting the DoD capitalization criteria for use by major ranges and test facility bases.
- (c) Military personnel services.
- (d) Military support functions and tenant support functions.
- (e) Aircraft, ships, and general purpose passenger vehicles.
- (f) Equipment to meet mobilization requirements when no, or limited, peacetime applications exist.
- (g) Equipment initially procured and usually furnished by the weapons system manager as part of a weapon system or support system.
- (h) Equipment normally provided as U.S. Government furnished equipment (GFE) that is not replaced with U.S. Army account's appropriation (HQDA level) or the unobligated balance of the original appropriation, whichever is less, can be used to make payments for obligated balances canceled. For multi-year accounts, the unused, unexpired portion of the 1 percent limitation is available for use.
- (i) DBOF depot maintenance funds.
- (j) Construction projects costing more than the maximum allowed for U.S. Army DBOF depot maintenance activities, as specified in AR 415-35 (Minor Construction, Emergency Construction, and Replacement of Facilities Damaged or Destroyed).

(k) Construction projects, regardless of cost, to meet mobilization requirements with no, or limited peacetime application.

(l) Construction projects, regardless of cost, for a tenant activity, military support function, or other activity designated by the Under Secretary of Defense (Comptroller) (USD(C)), even though the U.S. Army DBOF depot maintenance financial system is used.

(2) Special or single purpose machinery authorized by customer orders may be financed from U.S. Army DBOF depot maintenance funds, pending full recovery as a cost of such orders. This equipment is the property of the customer and must be disposed of according to the customer's instructions or those of the Defense Industrial Plant Equipment Center (DIPEC) or the National Inventory Control Point (NICP), as appropriate.

(3) Finance repair and maintenance of plant and equipment, resulting from catastrophe, or "Act of God", costing over \$300,000 with the appropriations of the managing command. If caused by a person not in a contractual relationship with the U.S. Government, finance using the U.S. Army DBOF depot maintenance funds and carry as a receivable pending recovery.

(4) Charge maintenance and minor repair costing less than limits specified in AR 420-10 (see DA PAM 420-8, Facilities Engineering Management Handbook for definitions) to operations and include in the cost of products and services.